

*City of Marlette*

**Sanilac County, Michigan**

Audited Financial Report  
June 30, 2004

*Lehn L. King*

Certified Public Accountant  
Marlette, Michigan

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Name (Specify) <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other <b>City of Marlette</b>			County <b>Sanilac</b>
Audit Date <b>June 30, 2004</b>	Opinion Date <b>11/18/04</b>	Date Accountant Report Submitted to State: <b>11/29/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on the financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

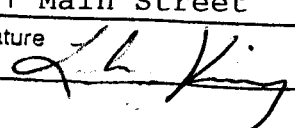
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <b>Lehn L. King, CPA</b>			
Street Address <b>3531 Main Street</b>	City <b>Marlette</b>	State <b>MI</b>	ZIP <b>48453</b>
Accountant Signature 			

**City of Marlette**  
Annual Financial Report  
For The Year Ended June 30, 2004

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Honorable City Council  
**City of Marlette**  
Sanilac County, Michigan

**Independent Auditor's Report**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Marlette, Michigan as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Marlette, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Marlette, Michigan as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marlette, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2003.

*Lehn King*

Lehn L. King  
Certified Public Accountant

November 18, 2004

## Management's Discussion and Analysis

As management of the *City of Marlette, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with information that is furnished in the GASB 34 report, which can be found on the following pages of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$9,105,775 (net assets). Of this amount, \$832,514 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$195,496 due to various grants and conservative spending in the governmental funds.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$708,457, a decrease of \$459,383 in comparison with the prior year. 100 percent is available for spending at the government's discretion, as is allowed per the various fund types.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$15,467, or 1.6 percent of total general fund expenditures.
- The City's total installment debt decreased by \$196,775 during the current fiscal year. The City entered into no installment agreements this year.
- To maintain a balanced budget some programs were eliminated or not acted upon in the last budget: tree trimming, replacement of a Department of Public Works employee, immediate replacement of the City Treasurer, and the City sponsored Christmas Party.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The (*statement of activities-GASB 34*) or what we call *Statement of Revenue Expenditures, & Changes in Fund Balance* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements are distinguished functions of the City and are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and recreation and cemetery. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also two component units. (1) The Downtown Development Authority is a legally separate authority for which the City is financially accountable. The DDA is responsible for collecting and investing tax dollars within its boundaries. Those boundaries are specifically the first half block on each side of the M-53 corridor. The Authority had \$98,383 cash as of June 30, 2004. The historical cost of the DDA improvements prior to this fiscal year was \$853,115 and \$141,374 in 2004. (2) The City of Marlette Local Development Finance Authority is also legally separate. The LDFA has been responsible for large development projects within its boundary which are specifically both sides of Euclid Street and the new Marlette Business Park. The LDFA had cash of \$88,870 and no fixtures, as the LDFA has not directly purchased any fixtures for the Authority. The government-wide financial statements can be found on pages four and six of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds, proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Major Street, Local Street, Municipal Street, Downtown Development Authority, Local Development Finance Authority, Country Fair Days, Debt Service, and Cemetery Memorial Chapel funds, each of which are considered to be major funds. The City of Marlette has no non-major funds.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages four and six of this report.

**Proprietary funds.** The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sanitary sewer and water distribution operations, as well as parks and recreation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its vehicle and equipment maintenance activities. Because this service predominantly benefits governmental rather than business-type functions, the assets and liabilities of the internal service fund have been included within governmental activities in the government-wide statement of net assets.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, as well as parks and recreation, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages eight and nine of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 – 24 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Marlette, assets exceeded liabilities by \$ 9,105,775 at the close of the most recent fiscal year.

*[Because this is the first year of implementation of Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.]*

	Governmental Activities 2003-2004	Business-Type Activities 2003-2004	Total 2003-2004
Current & Other Assets	\$ 998,999	\$ 158,505	\$ 1,157,504
Capital Assets, Net	6,622,182	5,055,564	11,677,746
Total Assets	7,621,181	5,214,069	12,835,250
Current Liabilities	476,732	80,882	557,614
Noncurrent Liabilities	2,856,763	331,749	3,188,512
Total Liabilities	3,333,495	412,631	3,746,126
Net Assets:			
Invested in Capital Assets -			
Net of Related Debt	3,568,751	4,704,511	8,273,262
Restricted	40,438	0	40,438
Unrestricted	678,497	113,579	792,076
Total Net Assets	\$ 4,287,686	\$ 4,818,090	\$ 9,105,776

By far, the largest portion of the City's net assets (83 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (one percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (16 percent or \$678,497) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net assets increased by \$195,496 during the current fiscal year.



	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u> <u>2003-2004</u>
Revenues			
Program Revenues:			
Charges for Services	\$ 230,037	\$ 556,433	\$ 786,470
Operating Grants & Cont's	656,476	52,498	708,974
General Revenues:			
Property Taxes	684,993	0	684,993
State-Shared Revenues	257,540	0	257,540
Interest	8,601	444	9,045
Other Revenues	91,488	16,981	108,469
Transfers	960	0	960
Total Revenues	1,930,095	626,356	2,556,451
Program Expenses			
General Government	\$ 236,377	\$ 0	\$ 236,377
Public Safety	668,437	0	668,437
Public Works	464,913	0	464,913
Recreation & Cemetery	155,312	0	155,312
Interest on Long-Term Debt	187,817	0	187,817
Water & Sewer	0	648,099	648,099
Total Program Expenses	1,712,856	648,099	2,360,955
Change in Net Assets	217,239	(21,743)	195,496
Net Assets - Beginning of Year	4,070,446	4,839,833	8,910,279
Net Assets - End of Year	<u>\$ 4,287,685</u>	<u>\$ 4,818,090</u>	<u>\$ 9,105,775</u>

**Governmental activities.** Governmental activities increased the City's net assets by \$217,239, accounting for 100 percent of the total growth in the net assets of the City.

A breakdown of the governmental activities and business-type activities can be found on page three of this report.

### Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of useable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$708,457, a decrease of \$459,383 in comparison with the prior year. Approximately 100 percent of this total amount (\$708,457) constitutes unreserved fund balance, which is available for spending as is allowed per the various fund types. There is fund balance reserved that is not available for new spending because it has already been committed (1) to pay debt service (\$93,665), and (2) for other restricted purposes (\$40,438).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$15,467. As a measure of the general fund's

liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 1.6 percent of total general fund expenditures.

The fund balance of the City's general fund increased by \$16,256 during the current fiscal year. City management prudently maintained a minimal level of spending anticipating the reduction in economic growth the region is now experiencing.

The major street fund has a total fund balance of \$183,750, a decrease of \$41,254 during the year. Substantially all of the remaining fund balance is planned for use on several small street projects in the next fiscal year.

The local street fund had a decrease in fund balance for the current year of \$184,889 for an ending deficit of \$25,390.

The Municipal Street fund has a total fund balance of \$220,488, which will be used for maintenance and street projects.

The debt service fund has a total fund balance of \$96,303, all of which is reserved for the payment of debt.

***Proprietary funds.*** The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer enterprise funds at the end of the year amounted to \$83,067 and \$30,514, respectively. The water fund had an increase of \$100,473 in net assets for the year, whereas the sewer fund had a decrease of \$122,214. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

The differences between the original and final amended budgets for expenditures was \$-0-, because the original budget was never amended.

### **Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounted to \$11,435,163 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads and highways. The total increase in the City's investment in capital assets for the current fiscal year was 4.3 percent (a 9.9 percent increase for governmental activities and a 2.2 percent decrease for business-type activities).

**City of Marlette's Capital Assets**  
(net of depreciation)

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u> <u>2003-2004</u>
Land	\$ 221,358	\$ 21,225	\$ 242,583
Depreciable Assets	6,400,824	5,039,465	11,440,289
Total	<u>\$ 6,622,182</u>	<u>\$ 5,060,690</u>	<u>\$ 11,682,872</u>

Additional information on the City's capital assets can be found in note 4 on page 19 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total installment debt outstanding of \$3,373,868.

**City of Marlette's Outstanding Debt**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u> <u>2003-2004</u>
General Obligation Bonds	\$ 2,785,000	\$ 161,053	\$ 2,946,053
Revenue Bonds	0	190,000	190,000
Installment Purchase Contracts	237,815	0	237,815
Total	<u>\$ 3,022,815</u>	<u>\$ 351,053</u>	<u>\$ 3,373,868</u>

The City's installment debt decreased by \$196,775 (5.8 percent) during the current fiscal year.

Additional information on the City's long-term debt can be found in note 7 on page 21 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the City's budget for the 2004-05 fiscal year:

- Projections of commercial, industrial, and residential growth potential;
- Economic indicators for the region and local development projects currently proposed and or underway;
- Growth and development trends as a result of the 2000 Census;
- 2004 staff additions and capital improvements projects by the City;

- Total governmental revenues will be impacted by the reduction in State Revenue Sharing and by the Headlee Amendment and Proposition 2 property tax cap.
- Available taxing, bonding and grant resources.

During the current fiscal year, unreserved fund balance in the general fund increased to \$15,466. The City has not appropriated any of this amount for spending in the 2004-05 fiscal year budget. Additionally, the Council has been directed by the Manager and the City Auditor to reallocate several of its tax mills to the General Fund in an attempt to regain the State of Michigan recommended minimum fund balance in that fund. It is my intent and the desire of the City Auditor to improve that fund balance to a minimum of \$250,000 as soon as possible.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Marlette Financial Department

**City of Marlette**  
Statement of Net Assets (Deficit)  
June 30, 2004

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash & Cash Equivalents	\$ 821,664	\$ 83,577	\$ 905,241
Accounts Receivable	39,297	71,578	110,875
Prepaid Expenditures	9,660	3,350	13,010
Due From Other Governmental Units	128,378	0	128,378
Capital Assets			
Nondepreciable Capital Assets	221,358	21,225	242,583
Net Depreciable Capital Assets	6,400,824	5,034,339	11,435,163
Restricted Cash - Bond Reserve	<u>0</u>	<u>16,651</u>	<u>16,651</u>
 Total Assets	 7,621,181	 5,230,720	 12,851,901
<b><u>Liabilities</u></b>			
Accounts Payable	172,326	41,578	213,904
Due To Other Governmental Units	107,739	20,000	127,739
Accrued Interest Payable	30,616	0	30,616
Current Portion of Long-Term Debt	166,052	19,304	185,356
Noncurrent Liabilities:			
Long-Term Debt	<u>2,856,763</u>	<u>331,749</u>	<u>3,188,512</u>
 Total Liabilities	 <u>3,333,496</u>	 <u>412,631</u>	 <u>3,746,127</u>
<b>Net Assets (Deficit)</b>			
Invested in Capital Assets - Net of Related Debt	3,568,751	4,704,511	8,273,262
Restricted for Memorial Chapel	40,438	0	40,438
Unrestricted	<u>678,497</u>	<u>113,581</u>	<u>792,078</u>
 Total Net Assets (Deficit)	 <u>\$ 4,287,686</u>	 <u>\$ 4,818,092</u>	 <u>\$ 9,105,778</u>

The notes are an integral part of the statements.

**City of Marlette**  
Statement of Activities  
For the Year Ended June 30, 2004

	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Primary Government Business-type Activities	Totals
<b>Functions/Programs</b>							
Primary Government:							
Governmental Activities:							
General Government	\$ 236,379	\$ 104,367	\$ 0	\$ 0	\$ (132,012)	\$ 0	\$ (132,012)
Public Safety	464,913	9,312	0	54,107	(401,494)	0	(401,494)
Public Works	668,434	68,296	289,877	312,492	2,231	0	2,231
Recreation & Cemetery	155,313	48,063	0	0	(107,250)	0	(107,250)
Interest on Long-Term Debt	187,818	0	0	0	(187,818)	0	(187,818)
<u>Total Governmental Activities</u>	1,712,857	230,038	289,877	366,599	(826,343)	0	(826,343)
Business-type Activities	648,097	556,433	0	52,498	0	(39,166)	(39,166)
<u>Total Primary Government</u>	<u>\$ 2,360,954</u>	<u>\$ 786,471</u>	<u>\$ 289,877</u>	<u>\$ 419,097</u>	<u>\$ (826,343)</u>	<u>\$ (39,166)</u>	<u>\$ (865,509)</u>
<b>General Revenues:</b>							
Property Taxes					\$ 684,994	\$ 0	\$ 684,994
State Shared Revenues					257,540	0	257,540
Interest					8,601	444	9,045
Other Revenues					91,487	16,981	108,468
Transfers					961	0	961
Total General Revenues, Special Items & Transfers					<u>1,043,583</u>	<u>17,425</u>	<u>1,061,008</u>
<b>Change in Net Assets</b>					217,240	(21,741)	195,499
<b>Net Assets (Deficit) - Beginning of Year</b>					<u>4,070,446</u>	<u>4,839,833</u>	<u>8,910,279</u>
<b>Net Assets (Deficit) - End of Year</b>					<u>\$ 4,287,686</u>	<u>\$ 4,818,092</u>	<u>\$ 9,105,778</u>

The notes are an integral part of the statements.

# City of Marietta

## Balance Sheet Governmental Funds June 30, 2004

	General	Major Street	Local Street	Municipal Street	Downtown Development Authority	Local Development Finance Authority	Country Fair Days	Debt Service	Cemetery Memorial Chapel	Total Governmental Funds
<b><u>Assets</u></b>										
Cash & C of D's	\$ 23,366	\$ 189,083	\$ (184)	\$ 220,489	\$ 133,383	\$ 108,870	\$ 6,997	\$ 71,812	\$ 55,853	\$ 809,669
Receivables:										
Accounts Receivable	1,743	0	0	0	0	0	0	4,490	0	6,233
Sales Tax	33,064	0	0	0	0	0	0	0	0	33,064
Prepaid Expenditures	9,660	0	0	0	0	0	0	0	0	9,660
Due from Other Funds	55,669	0	0	0	37,393	15,316	0	20,000	0	128,378
<u>Total Assets</u>	<u>123,502</u>	<u>189,083</u>	<u>(184)</u>	<u>220,489</u>	<u>170,776</u>	<u>124,186</u>	<u>6,997</u>	<u>96,302</u>	<u>55,853</u>	<u>987,004</u>
<b><u>Liabilities &amp; Fund Balance</u></b>										
<b><u>Liabilities</u></b>										
Accounts Payable	50,566	2,274	20,620	0	6,860	60,063	0	0	15,414	155,797
Accrued Payroll	15,012	0	0	0	0	0	0	0	0	15,012
Due to Other Funds	42,458	3,058	4,585	0	35,000	20,000	0	2,638	0	107,739
<u>Total Liabilities</u>	<u>108,036</u>	<u>5,332</u>	<u>25,205</u>	<u>0</u>	<u>41,860</u>	<u>80,063</u>	<u>0</u>	<u>2,638</u>	<u>15,414</u>	<u>278,548</u>
<b><u>Fund Balance</u></b>										
Fund Balance										
Unreserved - Undesignated	15,466	183,751	(25,389)	220,489	128,916	44,123	6,997	93,664	40,439	708,456
<u>Total Fund Balance</u>	<u>15,466</u>	<u>183,751</u>	<u>(25,389)</u>	<u>220,489</u>	<u>128,916</u>	<u>44,123</u>	<u>6,997</u>	<u>93,664</u>	<u>40,439</u>	<u>708,456</u>
<u>Total Liabilities &amp; Fund Balance</u>	<u>\$ 123,502</u>	<u>\$ 189,083</u>	<u>\$ (184)</u>	<u>\$ 220,489</u>	<u>\$ 170,776</u>	<u>\$ 124,186</u>	<u>\$ 6,997</u>	<u>\$ 96,302</u>	<u>\$ 55,853</u>	<u>\$ 987,004</u>

The notes are an integral part of the statements

**City of Marlette**  
Governmental Funds  
Reconciliation of Fund Balances to the  
Statement of Net Assets (Deficit)  
For The Year Ended June 30, 2004

<b>Total Fund Balances for Governmental Funds &amp; Equipment Fund</b>	<b>\$ 1,018,138</b>
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Amounts reported for governmental activities in the statement of  
net assets (deficit) are different because:

Capital Assets used in Governmental Activities are not financial resources and are not reported in the Funds	6,275,711
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Long-term bonds payable are not due and payable in the current period and are not reported in the Funds	(2,975,547)
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Accrued Interest Payable is not reported in the Funds	<u>(30,616)</u>
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<b>Net Assets of Governmental Activities</b>	<b><u>\$ 4,287,686</u></b>
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The notes are an integral part of the statements.



**City of Marlette**  
Statement of Revenues, Expenditures,  
And Changes in Fund Balances  
Governmental Funds  
For The Year Ended June 30, 2004

	General	Major Street	Local Street	Municipal Street	Downtown Development Authority	Local Development Finance Authority	Country Fair Days	Debt Service	Cemetery Memorial Chapel	Total Governmental Funds
<b>Revenues</b>										
Taxes	\$ 413,643	\$ 30,479	\$ 45,729	\$ 0	\$ 117,807	\$ 65,803	\$ 0	\$ 11,533	\$ 0	\$ 684,994
Intergovernmental Revenues	257,540	131,766	39,762	55,320	0	0	0	0	0	484,388
Licenses, Permits, & Fines	28,839	0	0	0	0	0	0	0	0	28,839
Charges for Services/Capital Charges	77,608	0	0	0	0	0	380	0	0	77,988
Cemetery/Parks & Recreation	47,683	0	0	0	0	0	0	0	0	47,683
Interest Earnings	1,041	1,597	877	1,450	732	918	41	1,004	742	8,402
Grant Proceeds	70,788	0	0	0	53,546	242,265	0	0	0	366,599
Bond Recovery	0	0	0	0	0	0	0	54,201	0	54,201
Donations & Contributions	0	0	0	0	0	0	5,894	0	2,934	8,828
Miscellaneous Revenue	77,689	0	338	0	0	0	3,893	0	0	81,920
<b>Total Revenues</b>	<b>974,831</b>	<b>163,842</b>	<b>86,706</b>	<b>56,770</b>	<b>172,085</b>	<b>308,986</b>	<b>10,208</b>	<b>66,738</b>	<b>3,676</b>	<b>1,843,842</b>
<b>Expenditures</b>										
Legislative	14,767	0	0	0	0	0	0	0	0	14,767
General Government	202,730	0	0	0	0	0	0	350	0	203,080
Public Safety	456,396	0	0	0	0	0	0	0	0	456,396
Public Works	133,247	77,039	54,038	97	53,187	36,471	0	0	0	354,079
Recreation & Cemetery	144,538	0	0	0	0	0	10,775	0	0	155,313
Capital Outlay/Construction	0	63,595	277,556	0	141,374	335,161	0	0	20,541	838,227
Debt Service:										
Principal	5,352	35,000	0	0	20,000	23,681	0	45,000	0	129,033
Interest & Fiscal Charges	2,507	29,461	0	0	23,498	6,697	0	91,128	0	153,291
<b>Total Expenditures</b>	<b>959,537</b>	<b>205,095</b>	<b>331,594</b>	<b>97</b>	<b>238,059</b>	<b>402,010</b>	<b>10,775</b>	<b>136,478</b>	<b>20,541</b>	<b>2,304,186</b>
<b>Excess Of Revenues Over (Under) Expenditures</b>	<b>15,294</b>	<b>(41,253)</b>	<b>(244,888)</b>	<b>56,673</b>	<b>(65,974)</b>	<b>(93,024)</b>	<b>(567)</b>	<b>(69,740)</b>	<b>(16,865)</b>	<b>(460,344)</b>
<b>Other Financing Sources (Uses)</b>										
Operating Transfers In (Out)	961	0	60,000	(60,000)	21,028	(21,028)	0	0	0	961
<b>Excess Of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</b>	<b>16,255</b>	<b>(41,253)</b>	<b>(184,888)</b>	<b>(3,327)</b>	<b>(44,946)</b>	<b>(114,052)</b>	<b>(567)</b>	<b>(69,740)</b>	<b>(16,865)</b>	<b>(459,383)</b>
<b>Fund Balance - July 1</b>	<b>(789)</b>	<b>225,004</b>	<b>159,499</b>	<b>223,816</b>	<b>173,862</b>	<b>158,175</b>	<b>7,564</b>	<b>163,404</b>	<b>57,304</b>	<b>1,167,839</b>
<b>Fund Balance - June 30</b>	<b>\$ 15,466</b>	<b>\$ 183,751</b>	<b>\$ (25,389)</b>	<b>\$ 220,489</b>	<b>\$ 128,916</b>	<b>\$ 44,123</b>	<b>\$ 6,997</b>	<b>\$ 93,664</b>	<b>\$ 40,439</b>	<b>\$ 708,456</b>

The notes are an integral part of the statements

**City of Marlette**  
Governmental Funds  
Reconciliation of Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For The Year Ended June 30, 2004

**Net Change in Fund Balances - Total Governmental Funds & Equipment Fund      \$    (476,976)**

Amounts reported for Governmental Activities in the Statement of  
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures;  
in the Statement of Activities, these costs are capitalized and  
allocated over their estimated useful lives as Depreciation 838,227

Repayment of Bond Principal is and Expenditure in the Governmental  
Funds, but not in the Statement of Activities (where it  
reduces Long-Term Debt) 129,033

Interest Expense is reported in the Statement of Activities  
when a Liability is incurred; they are reported in the  
Governmental Funds only when payment is due (30,616)

Depreciation is an Expenditures for the Statement of  
Activities, but is not reported in the Governmental Funds (242,428)

**Net Assets of Governmental Activities \$    217,240**

The notes are an integral part of the statements.

**City of Marlette**  
**Statement of Net Assets (Deficit)**  
**Proprietary Funds**  
**June 30, 2004**

	<b>Enterprise Funds</b>		<b>Totals</b>	<b>Internal</b>
	<b>Water</b>	<b>Sewer</b>	<b>Enterprise</b>	<b>Service</b>
<b>Assets</b>	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>	<b>Fund</b>
				<b>Equipment</b>
<b><u>Current Assets</u></b>				
Cash	\$ 62,209	\$ 21,368	\$ 83,577	\$ 11,995
Accounts Receivable	23,449	48,129	71,578	0
Prepaid Expenditures	1,740	1,610	3,350	0
<b><u>Total Current Assets</u></b>	<b><u>87,398</u></b>	<b><u>71,107</u></b>	<b><u>158,505</u></b>	<b><u>11,995</u></b>
<b><u>Capital Assets</u></b>				
Land	5,125	16,100	21,225	15,858
Equipment	0	0	0	656,581
Sewer System	0	6,806,744	6,806,744	0
Water System	980,114	0	980,114	0
<b><u>Total Capital Assets</u></b>	<b><u>985,239</u></b>	<b><u>6,822,844</u></b>	<b><u>7,808,083</u></b>	<b><u>672,439</u></b>
Less: Accumulated Depreciation	399,951	2,352,568	2,752,519	325,968
<b><u>Net Capital Assets</u></b>	<b><u>585,288</u></b>	<b><u>4,470,276</u></b>	<b><u>5,055,564</u></b>	<b><u>346,471</u></b>
Restricted Cash - Bond Reserve	0	16,651	16,651	0
<b>Total Assets</b>	<b>672,686</b>	<b>4,558,034</b>	<b>5,230,720</b>	<b>358,466</b>
<b><u>Liabilities</u></b>				
<b><u>Current Liabilities</u></b>				
Accounts Payable	4,333	37,245	41,578	1,517
Due To Debt Service Fund	0	20,000	20,000	0
Current Portion of Long-Term Liabilities	17,304	2,000	19,304	30,934
<b>Total Current Liabilities</b>	<b>21,637</b>	<b>59,245</b>	<b>80,882</b>	<b>32,451</b>
<b><u>Long-Term Liabilities</u></b>				
Revenue Bonds, Contract Purchases, & Notes Payable	161,053	190,000	351,053	47,268
Less: Current Portion of Long-Term Debt Shown Above	17,304	2,000	19,304	30,934
<b><u>Total Liabilities</u></b>	<b><u>165,386</u></b>	<b><u>247,245</u></b>	<b><u>412,631</u></b>	<b><u>48,785</u></b>
<b><u>Net Assets</u></b>				
Invested in Capital Assets Net of Related Debt	424,235	4,280,276	4,704,511	299,203
Unreserved Earnings	83,067	30,514	113,581	10,479
<b><u>Total Net Assets</u></b>	<b><u>\$ 507,302</u></b>	<b><u>\$ 4,310,790</u></b>	<b><u>\$ 4,818,092</u></b>	<b><u>\$ 309,682</u></b>

The notes are an integral part of the statements.

**City of Marlette**  
Statement of Revenues, Expenses, And Changes in Net Assets  
Proprietary Funds  
June 30, 2004

	<b>Enterprise Funds</b>		<b>Total</b>	<b>Internal</b>
	<b>Water</b>	<b>Sewer</b>	<b>Enterprise</b>	<b>Service</b>
	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>	<b>Fund</b>
				<b>Equipment</b>
<b><u>Operating Revenues</u></b>				
Charges for Sales and Services	\$ 190,613	\$ 347,348	\$ 537,961	\$ 75,528
Tap-in Fees & Installation Fines	1,200	2,400	3,600	0
Penalties and Meter Fines	5,076	9,796	14,872	0
<b>Total Operating Income</b>	<b>196,889</b>	<b>359,544</b>	<b>556,433</b>	<b>75,528</b>
<b><u>Operating Expenses</u></b>				
Salaries, Wages, & Administration	60,131	49,465	109,596	15,022
Fringe Benefits/Payroll Taxes	29,929	26,298	56,227	8,202
Depreciation	24,844	145,799	170,643	48,105
Repairs & Maintenance	3,965	19,677	23,642	4,959
Chemicals & Supplies	5,086	1,595	6,681	9,586
Utilities & Telephone	10,795	0	10,795	4,611
Professional Services/Testing	2,615	5,763	8,378	250
Plant Supervision/Operation	0	220,587	220,587	0
Insurance & Bonds	353	6,027	6,380	3,104
Equipment Rental	6,737	6,895	13,632	0
Miscellaneous	4,257	1,077	5,334	5,137
<b>Total Operating Expenses</b>	<b>148,712</b>	<b>483,183</b>	<b>631,895</b>	<b>98,976</b>
<b><u>Operating Income (Loss)</u></b>	<b>48,177</b>	<b>(123,639)</b>	<b>(75,462)</b>	<b>(23,448)</b>
<b><u>Non-Operating Revenues (Expenses)</u></b>				
Interest Earned	179	265	444	199
Bond and Contract Interest	(7,562)	(8,640)	(16,202)	(3,911)
Grant Proceeds	52,498	0	52,498	0
Sale of Fixed Assets	0	0	0	7,801
Miscellaneous	7,181	9,800	16,981	1,766
<b>Change in Net Assets</b>	<b>100,473</b>	<b>(122,214)</b>	<b>(21,741)</b>	<b>(17,593)</b>
<b><u>Net Assets - Beginning of Year</u></b>	<b>406,829</b>	<b>4,433,004</b>	<b>4,839,833</b>	<b>327,275</b>
<b><u>Net Assets - End of Year</u></b>	<b>\$ 507,302</b>	<b>\$ 4,310,790</b>	<b>\$ 4,818,092</b>	<b>\$ 309,682</b>

The notes are an integral part of the statements.

**City of Marlette**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended June 30, 2004**

	<b>Enterprise Funds</b>		<b>Totals</b>	<b>Internal</b>
	<b>Water</b>	<b>Sewer</b>	<b>Enterprise</b>	<b>Service</b>
	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>	<b>Fund</b>
				<b>Equipment</b>
<b><u>Cash Flow From Operating Activities</u></b>				
Receipts from Customers	\$ 196,934	\$ 345,771	\$ 542,705	\$ 75,528
Payments for Operation, Maintenance, & Water	(27,861)	(260,586)	(288,447)	(30,746)
Payments for General & Administration	(94,670)	(82,867)	(177,537)	(31,465)
<b><u>Net Cash Provided by Operating Activity</u></b>	<b>74,403</b>	<b>2,318</b>	<b>76,721</b>	<b>13,317</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>				
Other Nonoperating Revenues	7,181	9,800	16,981	1,766
Interfund Due To/From	0	20,000	20,000	0
<b><u>Net Cash Provided by Noncapital Financing Activities</u></b>	<b>7,181</b>	<b>29,800</b>	<b>36,981</b>	<b>1,766</b>
<b><u>Cash Flows from Capital &amp; Related Financing Activities</u></b>				
Interest Expense	(7,562)	(8,640)	(16,202)	(3,911)
Receipt of Capital Contributions	52,498	0	52,498	0
Increase (Decrease) in Long - Term Debt	(16,619)	(2,000)	(18,619)	(28,827)
Purchase of Capital Assets	(67,111)	(8,190)	(75,301)	(66,799)
Sale of Fixed Assets	0	0	0	7,801
Increase in Restricted Assets	0	118	118	0
<b><u>Net Cash Provided by Capital &amp; Related Financing Activities</u></b>	<b>(38,794)</b>	<b>(18,712)</b>	<b>(57,506)</b>	<b>(91,736)</b>
<b><u>Cash Flows from Investing Activities</u></b>				
Increase in Customer Deposits	0	0	0	0
Interest Received on Investments	179	147	326	199
<b><u>Net Cash Provided by Investing Activities</u></b>	<b>179</b>	<b>147</b>	<b>326</b>	<b>199</b>
<b><u>Net Increase (Decrease) in Cash &amp; Cash Equivalents</u></b>	<b>42,969</b>	<b>13,553</b>	<b>56,522</b>	<b>(76,454)</b>
<b><u>Cash &amp; Cash Equivalents - Beginning of Year</u></b>	<b>19,242</b>	<b>24,466</b>	<b>43,708</b>	<b>88,449</b>
<b><u>Cash &amp; Cash Equivalents - End of Year</u></b>	<b>\$ 62,211</b>	<b>\$ 38,019</b>	<b>\$ 100,230</b>	<b>11,995</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</u></b>				
Operating Income (Loss)	48,177	(123,639)	(75,462)	(23,448)
Adjustments to Reconcile Operating Income (Loss) from Operating Activities:				
Depreciation	24,844	145,799	170,643	48,105
Changes in Assets & Liabilities:				
Receivables	45	(13,773)	(13,728)	0
Accounts Payable	1,337	(6,069)	(4,732)	(11,340)
<b><u>Net Cash Provided by Operating Activities</u></b>	<b>\$ 74,403</b>	<b>\$ 2,318</b>	<b>\$ 76,721</b>	<b>\$ 13,317</b>

The notes are an integral part of the statements.

**City of Marlette**  
Statement of Net Assets (Deficit)  
Fiduciary Funds  
June 30, 2004

	<b>Pension &amp; Other Trust Funds</b>	<b>Agency Fund</b>
<b><u>Assets</u></b>		
Cash & Certificate of Deposit	\$ 74,743	\$ 20,959
Investment - Mutual Funds at F.M.V.	1,132,356	0
Contribution Receivable	12,082	0
<b><u>Total Assets</u></b>	<b>1,219,181</b>	<b>\$ 20,959</b>
<b><u>Liabilities</u></b>		
Due To General Fund	0	\$ 669
Due To Other Governmental Agencies	0	20,290
<b><u>Total Liabilities</u></b>	<b>0</b>	<b>\$ 20,959</b>
<b><u>Net Assets</u></b>		
Held in Trust for Pension	1,144,438	
Held in Trust for Cemetery Perpetual Care	70,068	
Unreserved - Undesignated	4,675	
<b><u>Total Net Assets</u></b>	<b>\$ 1,219,181</b>	

The notes are an integral part of the statements.

**City of Marlette**  
Other Supplemental Information  
Statement of Changes in Net Assets  
Fiduciary Funds  
June 30, 2004

	<b>Pension &amp; Other Trust Funds</b>
<b><u>Additions</u></b>	
Interest Income - Perpetual Care	\$ 961
Sale of Lots - Perpetual Care	480
Contributions From Employer & Employees	66,838
Interest, Dividends, & Net Adjustment to F.M.V.	126,445
<b><u>Total Additions</u></b>	<b><u>194,724</u></b>
<b><u>Deductions</u></b>	
Administrative Expense	1,011
Distributions	141,105
Contribution To (From) Other Funds	961
<b><u>Total Deductions</u></b>	<b><u>143,077</u></b>
<b><u>Net Increase</u></b>	<b>51,647</b>
<b><u>Net Assets - Beginning of Year</u></b>	<b><u>1,167,534</u></b>
<b><u>Net Assets - End of Year</u></b>	<b><u>\$ 1,219,181</u></b>

The notes are an integral part of the statements.

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2004

The accounting methods and procedures adopted by the City of Marlette, Sanilac County, Michigan, conform to Generally Accepted Accounting Principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City's Comprehensive Annual Financial Report.

**1. Summary of Significant Accounting Policies**

**Financial Reporting Entity**

The City of Marlette was incorporated under the laws of the State of Michigan and operates as a General Law City, with a City Board form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Marlette (the primary government) and its component units. The component units discussed below are included in the City reporting entity because of the significance of their operational or financial relationships with the City.

**Component Units** - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

**Blended Component Units** - The Downtown Development Authority (DDA) of the City of Marlette, an entity legally separate from the City, is governed by an eight-member board appointed by the City Council. For financial reporting purposes, the DDA is reported as if it were part of the City's operations because its purpose is to finance and provide assistance to businesses and citizens within the DDA District of the City.

**Government-wide and Fund Statements Fund**

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the City (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.



**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2004

**Major Street Fund** - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through State-shared gas and weight taxes.

**Local Street Fund** - The Local Streets Fund accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is provided primarily through State-shared gas and weight taxes.

**Municipal Street Fund** - The Municipal Street Fund is funded by a five year county-wide millage. Monies received are to be used for maintenance and improvement of City streets.

**Downtown Development Authority Fund (a Special Revenue Fund type)** - The Downtown Development Authority's purpose is to finance and provide assistance to businesses and citizens within the DDA District of the City.

**Local Development Finance Authority Fund** - The LDFA captures increment taxes in the LDFA area. These captured taxes are to finance and provide assistance for the development of this given area.

**Debt Service Fund** - The Debt Service Fund accounts for all debt payments made regarding the 1999 Waster Water Disposal Bonds.

**Cemetery Memorial Chapel Fund** - The Cemetery Memorial Chapel Fund is for the purpose of collecting funds to be used in the construction of a memorial chapel at the Marlette cemetery.

The Village reports the following major Enterprise Funds & Internal Service Fund:

**Water Fund** - The Water Fund accounts for the activities of the water distribution system. Funding is provided primarily through user charges.

**Sewer Fund** - The Sewer Fund accounts for the activities of the sewage disposal system. Fund is provided primarily through user charges.

**Equipment Fund (Internal Service Fund)** - This fund was established to account for the financing of goods or services provided by one department to other departments of the Village on a cost-reimbursement basis.

Additionally, the Village reports the following fund types:

**Agency Funds** - The Agency Funds account for assets held by the Village in a trustee capacity or as an agent for individuals, organizations, or other governments.

**Measurement Focus and Basis of Accounting**

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2004

revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

**Cash** - The City does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

**Investments** - Debt securities are valued at cost since it is generally the policy of the City to hold such investments until they mature.

**Due to and Due from Other Funds** - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

**Property Tax Revenues** - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

**Vacation, Sick Leave, and Other Compensated Absences** - Vacation days are earned by employees at a rate from 4 to 15 days per year with unused days at year end being forfeited. Sick days are earned by employees at a rate of fifteen days per year. A maximum of 90 unused sick days may be accumulated by an employee. Retiring employees are paid 1/2 of the accumulated sick days.

The estimated maximum contingent liability for these benefits (calculated at current pay rates) at June 30, 2004 is approximately \$83,500.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

**Capital Assets** - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	50 to 20 years
Buildings & Building Improvements	40 to 20 years
Machinery & Equipment	15 to 5 years

**Long-Term Obligations** - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2004

Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Accounting Changes**

**GASB Statement No. 34** – Effective July 1, 2003, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the City's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the City's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the City's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the City. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

**2. Stewardship, Compliance, and Accountability**

**Budgetary Information**

The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Prior to July 1, the City Supervisor submits to the City Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior July 1, the budget is legally enacted.
4. The budget is used by the City Board as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level.
5. Budget amounts are as originally adopted, and as amended by the City Board.

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2004

In the body of the financial statements, the City actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budget was adopted to the department level. Budgets for these funds are shown in the supplemental schedules to this statement.

During the year ended June 30, 2004, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
<b>General Fund</b>			
Clerk	\$ 93,890	\$ 97,418	\$ 3,528
Treasurer	11,400	14,986	3,586
Police	300,579	374,849	74,270
Street Lighting	28,000	35,810	7,810
Cemetery	50,875	54,468	3,593
Parks & Recreation	65,860	82,319	16,459
Debt Service - Principal	5,302	5,352	50
<b>Major Streets Fund</b>			
Trunk Line Maintenance	14,125	15,369	1,244
Administration	13,045	14,954	1,909
Debt Service - Principal	0	35,000	35,000
Debt Service - Interest	0	29,461	29,461
Capital Outlay	0	63,595	63,595
<b>Municipal Street Fund</b>			
Salaries & Wages	0	97	97
<b>Debt Service Fund</b>			
Paying Agent Fee	0	350	350
<b>Cemetery Memorial Chapel</b>			
Capital Outlay	0	20,541	20,541
<b>Country Fair Days</b>			
Miscellaneous	1,400	2,070	670
<b>Downtown Development Authority Fund</b>			
Salaries & Administration	0	37,681	37,681
Office Supplies	1,300	5,905	4,605
Professional Services	10,400	30,874	20,474
Accounting / Legal	550	604	54
Capital Outlay	104,000	113,986	9,986
Misc	100	683	583
Equipment Rent	1,000	1,797	797
<b>Local Development Finance Authority Fund</b>			
Salaries / Administration	15,990	30,587	14,597
Professional Services	2,050	5,406	3,356
Education / Training / Meetings	250	830	580
Capital Outlay	0	335,161	335,161

### 3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2004

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary - Trust &amp; Agency Funds</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	\$ 921,663	\$ 83,577	\$ 20,959	\$ 1,026,199

The City's deposits are in accordance with statutory authority. As of June 30, 2004 the balance sheet carrying amount of cash deposits was \$1,026,199. The bank balance as of June 30, 2004 was \$1,026,199, of which \$100,000 was covered by FDIC insurance.

All cash deposits and investments of the City are held by the City in the City's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Risk Categorized		NONE			
Operating Funds					
US Treasury Bonds					
Investment in Deferred					
Compensation Plans					
Total Risk-Categorized					
Investments					

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the City or its agent in the City's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2004

**4. Capital Assets**

Capital Assets activity of the City's governmental activities (and business-type) was as follows:

	Balance July 1, 2003	Additions	Disposals & Adjustments	Balance June 30, 2004
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated	\$ 221,358	\$ 0	\$ 0	\$ 221,358
Capital Assets Being Depreciated:				
General Government	395,479	0	0	395,479
Public Safety	42,589	0	0	42,589
Public Works	6,016,816	817,685	0	6,834,501
Equipment - Internal Service Fund	656,775	68,844	69,038	656,581
Total Capital Assets being Depreciated	7,111,659	886,529	69,038	7,929,150
Accumulated Depreciation:				
General Government	166,519	18,532	0	185,051
Public Safety	12,538	8,517	0	21,055
Public Works	780,874	215,379	0	996,253
Equipment - Internal Service Fund	344,854	48,106	66,993	325,967
Total Accumulated Depreciation	1,304,785	290,534	66,993	1,528,326
<b>Net Capital Assets being Depreciated</b>	<b>\$ 5,806,874</b>	<b>\$ 595,995</b>	<b>\$ 2,045</b>	<b>\$ 6,400,824</b>
<b>Business-type Activities:</b>				
Capital Assets not being Depreciated - Sewer	\$ 16,100	\$ 0	\$ 0	\$ 16,100
Capital Assets not being Depreciated - Water	5,125	0	0	5,125
Capital Assets Being Depreciated:				
Sewer Fund	6,798,554	8,190	0	6,806,744
Water Fund	913,003	67,111	0	980,114
Total Capital Assets being Depreciated	7,711,557	75,301	0	7,786,858
Accumulated Depreciation:				
Sewer Fund	2,206,768	145,799	0	2,352,567
Water Fund	375,107	24,844	0	399,951
Total Accumulated Depreciation	2,581,875	170,643	0	2,752,518
<b>Net Capital Assets being Depreciated</b>	<b>\$ 5,145,782</b>	<b>\$ (95,342)</b>	<b>\$ 0</b>	<b>\$ 5,034,340</b>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental Activities:</b>	
General Government	\$ 18,532
Public Safety	8,517
Public Works	263,485
Total Governmental Activities	<u>\$ 290,534</u>
<b>Business-type Activities:</b>	
Sewer Fund	\$ 145,799
Water Fund	24,844
Total Business-type Activities	<u>\$ 170,643</u>

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2004

**5. Property Taxes**

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and might be paid by the following February 14.

Property taxes are not recognized in compliance with NCGAI-3 which states that such revenue is recorded when it becomes measurable and available. Property taxes are recorded as revenue when collected.

The City levied the following taxes:

General Government Services	12.8086	mills
Highway	2.6533	mills
Cemetery	<u>0.9149</u>	mills
<u>General Operation</u>	16.3768	mills
Debt Retirement - 1990 Wastewater Bonds	<u>0.5489</u>	mills
<u>Total</u>	<u><u>16.9257</u></u>	mills

**6. Due To/From Other Funds**

As of June 30, 2004, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>
General Fund	\$ 13,212	DDA	\$ 5,907
		LDFA	6,636
		Tax Account	669
LDFA Fund	1,952	Major Street Fund	648
		Local Street Fund	969
		Debt Service Fund	335
DDA Fund	8,329	Major Street Fund	2,410
		Local Street Fund	3,616
		Debt Service Fund	<u>2,303</u>
Total	<u>\$ 23,493</u>		<u>\$ 23,493</u>

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2004

**7. Long Term Debt**

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>						
General Obligation Bonds & Contracts						
2002 Installment Purchase Contract for City / Township Building						
Amount of Issue - \$62,650		\$2,533 -				
Maturing through 2012	4.46%	\$3,755	\$ 57,528	\$ (5,352)	\$ 52,176	\$ 5,590
1999 Installment Purchase Contract for Euclid & Sterling Street Improv's						
Amount of Issue \$100,000		\$4,559 -				
Maturing through 2003	4.25%	\$5,998	\$ 66,806	\$ (9,743)	\$ 57,063	\$ 10,032
1999 Installment Purchase Contract for 3394 S. Main Street						
Amount of Issue - \$64,500		\$2,910 -				
Maturing through 2009	4.25%	\$3,829	\$ 43,397	\$ (6,192)	\$ 37,205	\$ 6,404
2001 MI Transportation Fund Bonds						
Amount of Issue - \$700,000		\$35,000 -				
Maturing through 2016	4.55%	\$65,000	\$ 665,000	\$ (35,000)	\$ 630,000	\$ 35,000
1999 Installment Purchase Contract for 3391 S. Main Street						
Amount of Issue - \$80,000		\$3,678 -				
Maturing through 2009	4.25%	\$4,851	\$ 51,849	\$ (7,746)	\$ 44,103	\$ 8,092
2000 Installment Note Payable for Elgin Street Sweeper						
Amount of Issue - \$142,000		\$6,805 -				
Maturing through 2005	5.45%	\$7,994	\$ 76,336	\$ (29,068)	\$ 47,268	\$ 30,934
1999 Waste Water Disposal Limited Tax General						
Amount of Issue - \$2,080,000	3.60% -	\$45,000 -				
Maturing through 2028	5.15%	\$100,000	\$ 1,880,000	\$ (45,000)	\$ 1,835,000	\$ 45,000
Downtown Development Authority Obligations						
1994 Down Development Bond						
Amount of Issue - \$450,000	6.40% -	\$20,000 -				
Maturing through 2013	7.00%	\$50,000	\$ 340,000	\$ (20,000)	\$ 320,000	\$ 25,000
<b>Total Governmental Activities</b>			\$ 3,180,916	\$ (158,101)	\$ 3,022,815	\$ 166,052
<b>Business-type Activities</b>						
General Obligation Bonds & Contracts						
2001 Purchase Contract for Water Main Installation						
Amount of Issue - \$194,000		\$16,327 -				
Maturing through 2011	4.20%	\$23,194	\$ 177,668	\$ (16,615)	\$ 161,053	\$ 17,304
1994 Sewer Revenue Bonds						
Amount of Issue - \$210,000		\$2,000 -				
Maturing through 2034	4.50%	\$10,000	\$ 192,000	\$ (2,000)	\$ 190,000	\$ 2,000
<b>Total Business-type Activities</b>			\$ 369,668	\$ (18,615)	\$ 351,053	\$ 19,304
<b>Total</b>			<u>\$ 3,550,584</u>	<u>\$ (176,716)</u>	<u>\$ 3,373,868</u>	<u>\$ 185,356</u>

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:



**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2004

Fiscal Year End June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 166,052	\$ 149,507	\$ 315,559	\$ 19,304	\$ 15,427	\$ 34,731
2006	162,757	141,667	304,424	22,060	14,581	36,641
2007	152,783	134,264	287,047	22,829	13,632	36,461
2008	159,194	126,912	286,106	23,631	12,651	36,282
2009	170,694	119,069	289,763	24,456	11,645	36,101
2010-2014	766,335	470,280	1,236,615	86,773	42,671	129,444
2015-2019	580,000	295,116	875,116	24,000	32,310	56,310
2020-2024	480,000	172,525	652,525	40,000	25,200	65,200
2025-2029	385,000	49,907	434,907	40,000	16,200	56,200
2030-2034	0	0	0	48,000	6,660	54,660
<b>Total</b>	<b>\$ 3,022,815</b>	<b>\$ 1,659,247</b>	<b>\$ 4,682,062</b>	<b>\$ 351,053</b>	<b>\$ 190,977</b>	<b>\$ 542,030</b>

**8. Deficit Fund Balance or Retained Earnings Balances of Individual Funds**

The Local Street Fund had a deficit fund balance as of June 30, 2004, of \$25,390.

**9. Comparative Data**

Comparative total data for the prior year have not been presented in the accompanying financial statements.

**10. Post Employment Benefits**

The City does not provide any post employment benefits other than the retirement benefits.

**11. Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The City has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2004

**12. Interfund Transfers In (Out)**

During the year ended June 30, 2004 the City's interfund transfers were as follows:

	<u>Operating Transfers In</u>		<u>Operating Transfers Out</u>
Local Street Fund	\$ 60,000	Municipal Street Fund	\$ 60,000
General Fund	961	Perpetual Care Fund	961
DDA	<u>21,028</u>	LDFA	<u>21,028</u>
Total	<u>\$ 81,989</u>		<u>\$ 81,989</u>

**13. City of Marlette Economic Development Corporation**

The purpose of this organization is essentially that it acts in an agent capacity to obtain lower interest government bond financing for labor oriented organizations in the community or coming into the community for the express purpose of alleviating and preventing conditions of unemployment. Economic Development Revenue Bonds outstanding at June 30, 2001 were \$-0-. During this fiscal year ended June 30, 2004 minor expenditures of the City of Marlette Economic Development Corporation were absorbed by the General Fund of the reporting entity.

**14. Pension Plan**

The City Provides pension benefits for all of its full-time employees, with 1 year of service, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The City contributes an amount equal to 9% for full time employees. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after two years' continuous service. City contributions for, and interest forfeited by, employees who leave employment before two years of service are used to reduce the City's current-period contribution requirement.

The City's total payroll in fiscal year ended June 30, 2004 was \$553,509. The City's contributions were calculated using the salary amount of \$493,499. The City made the required 9% contribution, amounting to \$44,512.

**a. Valuation of Investments**

Equity securities are reported at fair market value. Fixed-income securities are reported at amortized cost with discount or premium amortized using the effective interest method, subject to adjustment for market declines judged to be other than temporary.

**b. Investment Income**

Dividend income is recognized based on dividends declared and interest income is recognized on the accrual basis as earned.

Gain and losses on exchanges of fixed-income securities are recognized using the completed transaction method.

As of June 30, 2004 the investments of the Pension Plan as administrated by ICMA Retirement Corp. had total assets of \$877,846.

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2004

**15. Deferred Compensation**

Employees of the City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect To Service For State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The deferred compensation plan is administered by an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries

As part of its fiduciary role, the City has an obligation of due care in selecting the third party administrator. In the opinion of the City's legal counsel, the City has acted in a prudent manner and are not liable for losses that may arise from the administration of the plan.

The Plans are administered by Public Employees Benefit Service Corporation (PEBSCO) and ICMA Retirement, Corp. (ICMA). The assets and liabilities held by PEBSCO and ICMA are reported at market value in the Deferred Compensation Agency Fund. The total amount payable to plan participants is reported as deferred compensation payable.

**16. Contingencies**

The City of Marlette and Marlette Township have guaranteed the Marlette Community Fire Department real estate mortgage dated December 22, 1999. The real estate mortgage was used to purchase commercial property and construct a fire hall for the storage of fire equipment. As of June 30, 2004, the outstanding balance of the real estate mortgage is in the amount of \$618,760.

The City of Marlette and Marlette Township have guaranteed the Marlette Community Fire Department commercial promissory note dated December 7, 2001. The promissory note was used to purchase a fire department ladder truck. As of June 30, 2004, the outstanding balance of the promissory note is in the amount of \$87,405.

**Required Supplemental Information**

**City of Marlette**  
Required Supplemental Information  
Budgetary Comparison Schedule  
General Fund  
For The Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Property Taxes	\$ 501,700	\$ 501,700	\$ 413,643	(88,057)
Intergovernmental Revenues	293,200	293,200	257,540	(35,660)
Licenses, Permits, & Fines	23,900	23,900	28,839	4,939
Cemetery	20,000	20,000	24,850	4,850
Parks & Recreation	25,700	25,700	22,833	(2,867)
Charges for Services				
Rubbish Collection	70,000	70,000	68,296	(1,704)
Fire Calls / Protection	15,000	15,000	8,750	(6,250)
Other Charges for Services	0	0	562	562
Interest Earnings	3,000	3,000	1,041	(1,959)
Grant Proceeds	44,800	44,800	70,788	25,988
Miscellaneous Revenues	58,100	58,100	77,689	19,589
<b><u>Total Revenues</u></b>	<u>\$ 1,055,400</u>	<u>\$ 1,055,400</u>	<u>\$ 974,831</u>	<u>\$ (80,569)</u>

**City of Marlette**  
Required Supplemental Information  
Budgetary Comparison Schedule  
General Fund  
For The Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Expenditures</u></b>				
<b><u>Legislative</u></b>				
Council	\$ 15,440	\$ 15,440	\$ 14,767	\$ 673
<b><u>General Government</u></b>				
Administration	64,500	64,500	49,627	14,873
Elections	5,100	5,100	1,014	4,086
Professional Services	9,000	9,000	6,474	2,526
Assessor	9,800	9,800	8,174	1,626
Clerk	93,890	93,890	97,418	(3,528)
Board of Review	550	550	415	135
Treasurer	11,400	11,400	14,986	(3,586)
Building & Grounds	30,070	30,070	24,622	5,448
Miscellaneous	0	0	0	0
<b><u>Total General Government</u></b>	<u>224,310</u>	<u>224,310</u>	<u>202,730</u>	<u>21,580</u>
<b><u>Public Safety</u></b>				
Police Department	300,579	300,579	374,849	(74,270)
Fire Department	63,595	63,595	63,525	70
Planning Commission	18,525	18,525	17,533	992
Zoning Board of Appeals	1,325	1,325	489	836
<b><u>Total Public Safety</u></b>	<u>384,024</u>	<u>384,024</u>	<u>456,396</u>	<u>(72,372)</u>
<b><u>Public Works</u></b>				
Sidewalks	36,950	36,950	7,389	29,561
Wellhead Protection	0	0	0	0
Refuse Collection	96,090	96,090	90,048	6,042
Street Lighting	28,000	28,000	35,810	(7,810)
<b><u>Total Public Works</u></b>	<u>161,040</u>	<u>161,040</u>	<u>133,247</u>	<u>27,793</u>
<b><u>Cemetery, Parks, &amp; Recreation</u></b>				
Cemetery	50,875	50,875	54,468	(3,593)
Parks & Recreation	65,860	65,860	82,319	(16,459)
Community Promotion	10,000	10,000	7,751	2,249
<b><u>Total Cemetery, Parks, &amp; Recreation</u></b>	<u>126,735</u>	<u>126,735</u>	<u>144,538</u>	<u>(17,803)</u>
<b><u>Debt Service - Principal</u></b>	<u>5,302</u>	<u>5,302</u>	<u>5,352</u>	<u>(50)</u>
- Interest	<u>2,528</u>	<u>2,528</u>	<u>2,507</u>	<u>21</u>
<b><u>Total Expenditures</u></b>	<u>919,379</u>	<u>919,379</u>	<u>959,537</u>	<u>(40,158)</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<u>136,021</u>	<u>136,021</u>	<u>15,294</u>	<u>(120,727)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In (Out)	0	0	961	961
<b><u>Excess of Revenues &amp; Other Sources Over (Under)</u></b>				
<b><u>Expenditures &amp; Other Uses</u></b>	<u>136,021</u>	<u>136,021</u>	<u>16,255</u>	<u>(119,766)</u>
<b><u>Fund Balance - July 1, 2003</u></b>	<u>0</u>	<u>0</u>	<u>(789)</u>	<u>(789)</u>
<b><u>Fund Balance - June 30, 2004</u></b>	<u>\$ 136,021</u>	<u>\$ 136,021</u>	<u>\$ 15,466</u>	<u>\$ (120,555)</u>

**City of Marlette**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Major Special Revenue Funds  
For The Year Ended June 30, 2004

	Major Street Fund				Local Street Fund			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b><u>Revenues</u></b>								
Property Taxes	\$ 61,920	\$ 61,920	\$ 30,479	\$ (31,441)	\$ 38,800	\$ 38,800	\$ 45,729	\$ 6,929
State Shared Revenue - Gas & Weight Tax	100,000	100,000	114,602	14,602	38,000	38,000	38,489	489
State Truck Line Maintenance	14,000	14,000	13,374	(626)	0	0	0	0
Build MI Local Roads Program	3,000	3,000	3,790	790	1,300	1,300	1,273	(27)
Interest Income	6,000	6,000	1,597	(4,403)	2,000	2,000	877	(1,123)
Miscellaneous	0	0	0	0	0	0	338	338
<b>Total Revenues</b>	<b>184,920</b>	<b>184,920</b>	<b>163,842</b>	<b>(21,078)</b>	<b>80,100</b>	<b>80,100</b>	<b>86,706</b>	<b>6,606</b>
<b><u>Expenditures</u></b>								
Routine Maintenance	29,450	29,450	26,367	3,083	20,055	20,055	28,144	(8,089)
Snow & Ice Removal	11,620	11,620	11,546	74	10,040	10,040	9,992	48
Traffic Services	10,140	10,140	5,706	4,434	2,713	2,713	824	1,889
Street Sweeping	3,960	3,960	3,097	863	12,775	12,775	5,393	7,382
Trunk Line Maintenance	14,125	14,125	15,369	(1,244)	0	0	0	0
Administration	13,045	13,045	14,954	(1,909)	12,130	12,130	9,685	2,445
Debt Service - Principal	0	0	35,000	(35,000)	0	0	0	0
Debt Service - Interest	0	0	29,461	(29,461)	0	0	0	0
Capital Outlay	0	0	63,595	(63,595)	3,000	3,000	277,556	(274,556)
<b>Total Expenditures</b>	<b>82,340</b>	<b>82,340</b>	<b>205,095</b>	<b>(122,755)</b>	<b>60,713</b>	<b>60,713</b>	<b>331,594</b>	<b>(270,881)</b>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>								
<b><u>Other Financing Sources (Uses) Operating</u></b>	<b>102,580</b>	<b>102,580</b>	<b>(41,253)</b>	<b>(143,833)</b>	<b>19,387</b>	<b>19,387</b>	<b>(244,888)</b>	<b>(264,275)</b>
<b><u>Other Financing Sources (Uses)</u></b>								
Operating Transfers In (Out)	26,800	26,800	0	(26,800)	40,200	40,200	60,000	19,800
<b><u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u></b>	<b>129,380</b>	<b>129,380</b>	<b>(41,253)</b>	<b>(170,633)</b>	<b>59,587</b>	<b>59,587</b>	<b>(184,888)</b>	<b>(244,475)</b>
<b><u>Fund Balance - July 1, 2003</u></b>	<b>0</b>	<b>0</b>	<b>225,004</b>	<b>225,004</b>	<b>0</b>	<b>0</b>	<b>159,499</b>	<b>159,499</b>
<b><u>Fund Balance - June 30, 2004</u></b>	<b>\$ 129,380</b>	<b>\$ 129,380</b>	<b>\$ 183,751</b>	<b>\$ 54,371</b>	<b>\$ 59,587</b>	<b>\$ 59,587</b>	<b>\$ (25,389)</b>	<b>\$ (84,976)</b>

**City of Marlette**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Municipal Street Fund  
For The Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Intergovernmental Revenues	\$ 65,000	\$ 65,000	\$ 55,320	\$ (9,680)
Interest Income	2,000	2,000	1,450	(550)
<u>Total Revenues</u>	<u>67,000</u>	<u>67,000</u>	<u>56,770</u>	<u>(10,230)</u>
<b><u>Expenditures</u></b>				
Salaries & Fringes	0	0	97	(97)
Miscellaneous	0	0	0	0
<u>Total Expenditures</u>	<u>0</u>	<u>0</u>	<u>97</u>	<u>(97)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>67,000</u>	<u>67,000</u>	<u>56,673</u>	<u>(10,327)</u>
<u>Other Financing Sources (Uses) Operating</u>				
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In (Out)	(67,000)	(67,000)	(60,000)	7,000
<u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u>	<u>0</u>	<u>0</u>	<u>(3,327)</u>	<u>(3,327)</u>
<b><u>Fund Balance - July 1, 2003</u></b>	<u>0</u>	<u>0</u>	<u>223,816</u>	<u>223,816</u>
<b><u>Fund Balance - June 30, 2004</u></b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 220,489</u>	<u>\$ 220,489</u>



**City of Marlette**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Local Development Finance Authority Fund  
For The Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Property Taxes	\$ 25,000	\$ 25,000	\$ 65,803	\$ 40,803
Grant Proceeds	0	0	242,265	242,265
Interest Income	2,000	2,000	918	(1,082)
Miscellaneous Income	0	0	0	0
<u>Total Revenues</u>	<u>27,000</u>	<u>27,000</u>	<u>308,986</u>	<u>281,986</u>
<b><u>Expenditures</u></b>				
Salaries/Administration	15,990	15,990	30,587	(14,597)
Office Supplies/Printing	500	500	(352)	852
Professional Services	2,050	2,050	5,406	(3,356)
Education, Training & Meetings	250	250	830	(580)
Loan Payments - Principal	30,464	30,464	23,681	6,783
Loan Payments - Interest	0	0	6,697	(6,697)
Capital Outlay	0	0	335,161	(335,161)
Miscellaneous	100	100	0	100
<u>Total Expenditures</u>	<u>49,354</u>	<u>49,354</u>	<u>402,010</u>	<u>(352,656)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(22,354)</u>	<u>(22,354)</u>	<u>(93,024)</u>	<u>(70,670)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In (Out)	0	0	(21,028)	(21,028)
<u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u>	<u>(22,354)</u>	<u>(22,354)</u>	<u>(114,052)</u>	<u>(91,698)</u>
<u>Fund Balance - July 1, 2003</u>	<u>0</u>	<u>0</u>	<u>158,175</u>	<u>158,175</u>
<u>Fund Balance - June 30, 2004</u>	<u>\$ (22,354)</u>	<u>\$ (22,354)</u>	<u>\$ 44,123</u>	<u>\$ 66,477</u>

**City of Marlette**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Downtown Development Authority Fund  
For The Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Property Taxes	\$ 65,000	\$ 65,000	\$ 117,807	\$ 52,807
CDBG Grant	75,000	75,000	53,546	(21,454)
Interest Income	1,000	1,000	732	(268)
Miscellaneous Income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Total Revenues</u>	<u>141,000</u>	<u>141,000</u>	<u>172,085</u>	<u>31,085</u>
<b><u>Expenditures</u></b>				
Salaries/Administration	0	0	37,681	(37,681)
Office Supplies/Printing	1,300	1,300	8,905	(7,605)
Professional Services	10,400	10,400	3,486	6,914
Accounting/Legal	550	550	604	(54)
Education, Training, & Meetings	250	250	31	219
Debt Service:				
Principal	48,000	48,000	20,000	28,000
Interest	0	0	23,498	(23,498)
Capital Outlay	104,000	104,000	141,374	(37,374)
Miscellaneous	100	100	683	(583)
Equipment Rent - Interdepartment	<u>1,000</u>	<u>1,000</u>	<u>1,797</u>	<u>(797)</u>
<u>Total Expenditures</u>	<u>165,600</u>	<u>165,600</u>	<u>238,059</u>	<u>(72,459)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>				
<u>Other Financing Sources (Uses) Operating</u>	(24,600)	(24,600)	(65,974)	(44,459)
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In (Out)	<u>0</u>	<u>0</u>	<u>21,028</u>	<u>21,028</u>
<u>Excess of Revenues &amp; Other Sources</u>				
<u>Over (Under) Expenditures &amp; Other Uses</u>	(24,600)	(24,600)	(44,946)	(23,431)
<b><u>Fund Balance - July 1, 2003</u></b>	<u>25,000</u>	<u>25,000</u>	<u>173,862</u>	<u>148,862</u>
<b><u>Fund Balance - June 30, 2004</u></b>	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 128,916</u>	<u>\$ 125,431</u>

**City of Marlette**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Country Fair Days Fund  
For The Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Donations	\$ 7,900	\$ 7,900	\$ 5,894	\$ (2,006)
Charges	500	500	380	(120)
Interest Income	25	25	41	16
Miscellaneous	<u>4,500</u>	<u>4,500</u>	<u>3,893</u>	<u>(607)</u>
<b><u>Total Revenues</u></b>	<u>12,925</u>	<u>12,925</u>	<u>10,208</u>	<u>(2,717)</u>
<b><u>Expenditures</u></b>				
Administrative Expense	3,350	3,350	1,010	2,340
Contracted Services	8,400	8,400	7,695	705
Miscellaneous	<u>1,400</u>	<u>1,400</u>	<u>2,070</u>	<u>(670)</u>
<b><u>Total Expenditures</u></b>	<u>13,150</u>	<u>13,150</u>	<u>10,775</u>	<u>2,375</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<u>(225)</u>	<u>(225)</u>	<u>(567)</u>	<u>(342)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In (Out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b><u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u></b>	<u>(225)</u>	<u>(225)</u>	<u>(567)</u>	<u>(342)</u>
<b><u>Fund Balance - July 1, 2003</u></b>	<u>0</u>	<u>0</u>	<u>7,564</u>	<u>7,564</u>
<b><u>Fund Balance - June 30, 2004</u></b>	<u>\$ (225)</u>	<u>\$ (225)</u>	<u>\$ 6,997</u>	<u>\$ 7,222</u>

**City of Marlette**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Debt Service Fund  
For The Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Property Taxes	\$ 24,000	\$ 24,000	\$ 11,533	\$ (12,467)
Interest Income	5,000	5,000	1,004	(3,996)
Bond Recovery	54,000	54,000	54,201	201
<u>Total Revenues</u>	<u>83,000</u>	<u>83,000</u>	<u>66,738</u>	<u>(3,795)</u>
<b><u>Expenditures</u></b>				
Paying Agent Fees	0	0	350	(350)
Debt Service - Principal	142,000	142,000	45,000	97,000
Debt Service - Interest	0	0	91,128	(91,128)
<u>Total Expenditures</u>	<u>142,000</u>	<u>142,000</u>	<u>136,478</u>	<u>5,522</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(59,000)</u>	<u>(59,000)</u>	<u>(69,740)</u>	<u>1,727</u>
<u>Other Financing Sources (Uses) Operating</u>				
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In (Out)	<u>(54,000)</u>	<u>(54,000)</u>	<u>0</u>	<u>54,000</u>
<u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u>	<u>(113,000)</u>	<u>(113,000)</u>	<u>(69,740)</u>	<u>55,727</u>
<b><u>Fund Balance - July 1, 2003</u></b>	<u>113,000</u>	<u>113,000</u>	<u>163,404</u>	<u>50,404</u>
<b><u>Fund Balance - June 30, 2004</u></b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 93,664</u>	<u>\$ 106,131</u>

**City of Marlette**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Cemetery Memorial Chapel Capital Project Fund  
For The Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Donations & Contributions	\$ 3,000	\$ 3,000	\$ 2,934	\$ (66)
Interest Income	800	800	742	(58)
<u>Total Revenues</u>	<u>3,800</u>	<u>3,800</u>	<u>3,676</u>	<u>(124)</u>
<b><u>Expenditures</u></b>				
Capital Outlay - Construction in Progress	0	0	20,541	(20,541)
Miscellaneous	0	0	0	0
<u>Total Expenditures</u>	<u>0</u>	<u>0</u>	<u>20,541</u>	<u>(20,541)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>3,800</u>	<u>3,800</u>	<u>(16,865)</u>	<u>(20,665)</u>
<u>Other Financing Sources (Uses) Operating</u>				
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In (Out)	0	0	0	0
<u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u>	<u>3,800</u>	<u>3,800</u>	<u>(16,865)</u>	<u>(20,665)</u>
<b><u>Fund Balance - July 1, 2003</u></b>	<u>0</u>	<u>0</u>	<u>57,304</u>	<u>57,304</u>
<b><u>Fund Balance - June 30, 2004</u></b>	<u>\$ 3,800</u>	<u>\$ 3,800</u>	<u>\$ 40,439</u>	<u>\$ 36,639</u>

**Other Supplemental Information**

**City of Marlette**  
 Other Supplemental Information  
 Combining Statement of Net Assets  
 Fiduciary Funds  
 June 30, 2004

	Pension & Other Trust Funds				Agency Fund
	Cemetery Perpetual Care		Retirement	Totals	Tax Collection Fund
	Expendable Trust	Nonexpendable Trust	Fund		
<b><u>Assets</u></b>					
Cash & Certificate of Deposit	\$ 4,675	\$ 70,068	\$ 0	\$ 74,743	\$ 20,959
Investment - Mutual Funds at F.M.V.	0	0	1,132,356	1,132,356	0
Contribution Receivable	0	0	12,082	12,082	0
<b><u>Total Assets</u></b>	<b><u>4,675</u></b>	<b><u>70,068</u></b>	<b><u>1,144,438</u></b>	<b><u>1,219,181</u></b>	<b><u>20,959</u></b>
<b><u>Liabilities &amp; Fund Balance</u></b>					
<b><u>Liabilities</u></b>					
Due To General Fund	0	0	0	0	669
Due To Other Governmental Agencies	0	0	0	0	20,290
<b><u>Total Liabilities</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>\$ 20,959</u></b>
<b><u>Net Assets</u></b>					
Held in Trust for Pension	0	0	1,144,438	1,144,438	
Held in Trust for Cemetery Perpetual Care	0	70,068	0	70,068	
Unreserved - Undesignated	4,675	0	0	4,675	
<b><u>Total Liabilities &amp; Net Assets</u></b>	<b><u>\$ 4,675</u></b>	<b><u>\$ 70,068</u></b>	<b><u>\$ 1,144,438</u></b>	<b><u>\$ 1,219,181</u></b>	

**City of Marlette**  
 Other Supplemental Information  
 Combining Statement of Changes in Net Assets  
 Fiduciary Funds  
 June 30, 2004

	Pension & Other Trust Funds			
	Cemetery Perpetual Care		Retirement	Totals
	Expendable Trust	Nonexpendable Trust	Fund	
<b>Additions</b>				
Interest Income - Perpetual Care	\$ 961	\$ 0	\$ 0	\$ 961
Sale of Lots - Perpetual Care	0	480	0	480
Contributions From Employer & Employees	0	0	66,838	66,838
Interest, Dividends, & Net Adjustment to F.M.V.	0	0	126,445	126,445
<u>Total Additions</u>	<u>961</u>	<u>480</u>	<u>193,283</u>	<u>194,724</u>
<b>Deductions</b>				
Administrative Expense	0	0	1,011	1,011
Distributions	0	0	141,105	141,105
Contribution To (From) Other Funds	961	0	0	961
<u>Total Deductions</u>	<u>961</u>	<u>0</u>	<u>142,116</u>	<u>143,077</u>
<b>Net Increase</b>	0	480	51,167	51,647
<b>Net Assets - Beginning of Year</b>	4,675	69,588	1,093,271	1,167,534
<b>Net Assets - End of Year</b>	<u>\$ 4,675</u>	<u>\$ 70,068</u>	<u>\$ 1,144,438</u>	<u>\$ 1,219,181</u>



**City of Marlette**  
Other Supplemental Information  
Schedule of Indebtedness  
June 30, 2004

**General Obligation Bonds / Installment Contracts**

1999 Waste Water Disposal Limited Tax General

Obligation Refunding Bonds - 1999 Series Dated March 1, 1999

Interest Payable July 1, and January 1, Authorized Issue \$2,080,000

Interest Rate	Date of Maturity	Principal Outstanding		Remaining Interest Payable
		June 30, 2004	June 30, 2003	
3.80 %	7-1-04	\$ 0	\$ 45,000	\$ 0
3.90 %	7-1-05	45,000	45,000	89,418
4.00 %	7-1-06	50,000	50,000	87,662
4.10 %	7-1-07	50,000	50,000	85,663
4.20 %	7-1-08	55,000	55,000	83,612
4.30 %	7-1-09	55,000	55,000	81,303
4.75 %	7-1-10	55,000	55,000	78,937
4.75 %	7-1-11	60,000	60,000	76,325
4.75 %	7-1-12	65,000	65,000	73,475
4.75 %	7-1-13	70,000	70,000	70,388
4.75 %	7-1-14	65,000	65,000	67,062
5.00 %	7-1-15	70,000	70,000	63,975
5.00 %	7-1-16	75,000	75,000	60,475
5.00 %	7-1-17	80,000	80,000	56,725
5.00 %	7-1-18	85,000	85,000	52,725
5.00 %	7-1-19	90,000	90,000	48,475
5.00 %	7-1-20	90,000	90,000	43,975
5.00 %	7-1-21	95,000	95,000	39,475
5.00 %	7-1-22	100,000	100,000	34,725
5.00 %	7-1-23	100,000	100,000	29,725
5.10 %	7-1-24	95,000	95,000	24,625
5.10 %	7-1-25	95,000	95,000	19,780
5.15 %	7-1-26	95,000	95,000	14,935
5.15 %	7-1-27	95,000	95,000	10,042
5.15 %	7-1-28	100,000	100,000	5,150
Total - Waste Water Disposal Bonds		\$ 1,835,000	\$ 1,880,000	\$ 1,298,652

**City of Marlette**  
Other Supplemental Information  
Schedule of Indebtedness  
June 30, 2004

**General Obligation Bonds / Installment Contracts**

1994 Downtown Development Bond

Dated November 1, 1994, Interest Payable March 1, & September 1,  
Authorized Issue \$450,000

Interest Rate	Date of Maturity	Principal Outstanding		Remaining Interest Payable
		June 30, 2004	June 30, 2003	
6.60 %	3-1-04	\$ 0	\$ 20,000	\$ 0
6.70 %	3-1-05	25,000	25,000	22,177
6.80 %	3-1-06	25,000	25,000	20,503
6.90 %	3-1-03	30,000	30,000	18,803
6.90 %	3-1-08	30,000	30,000	16,733
6.95 %	3-1-09	35,000	35,000	14,633
6.95 %	3-1-10	40,000	40,000	12,230
7.00 %	3-1-11	40,000	40,000	9,450
7.00 %	3-1-12	45,000	45,000	6,650
7.00 %	3-1-13	50,000	50,000	3,500
Total - Limited G.O. Bonds		\$ 320,000	\$ 340,000	\$ 124,679

September 24, 1999 Installment Purchase Contract  
Euclid & Sterling Street Improvements  
Principal and Interest Payable June 24 and December 24  
Authorized Issue \$100,000

4.25 %	12-24-03	\$ 0	\$ 4,923	\$ 0
4.25 %	6-24-04	0	4,820	0
4.25 %	12-24-04	4,960	4,960	1,295
4.25 %	6-24-05	5,072	5,072	1,183
4.25 %	12-24-05	5,174	5,174	1,081
4.25 %	6-24-06	5,289	5,289	966
4.25 %	12-24-06	5,397	5,397	858
4.25 %	6-24-07	5,516	5,516	739
4.25 %	12-24-07	5,629	5,629	626
4.25 %	6-24-08	5,749	5,749	506
4.25 %	12-24-08	5,872	5,872	383
4.25 %	6-24-09	5,998	5,998	257
4.25 %	12-24-09	2,407	2,667	131
Total - Installment Loan		\$ 57,063	\$ 67,066	\$ 8,025

**City of Marlette**  
Other Supplemental Information  
Schedule of Indebtedness  
June 30, 2004

**General Obligation Bonds / Installment Contracts**

December 1, 1999 Installment Purchase Contract

3394 S. Main Street

Principal and Interest Payable June 1, and December 1

Authorized Issue \$64,500

Interest Rate	Date of Maturity	Principal Outstanding		Remaining Interest Payable
		June 30, 2004	June 30, 2003	
4.25 %	12-1-03	\$ 0	\$ 3,126	\$ 0
4.25 %	06-1-04	0	3,066	0
4.25 %	12-1-04	3,166	3,166	827
4.25 %	06-1-05	3,238	3,238	755
4.25 %	12-1-05	3,303	3,303	690
4.25 %	06-1-06	3,376	3,376	817
4.25 %	12-1-06	3,445	3,445	548
4.25 %	06-1-07	3,521	3,521	472
4.25 %	12-1-07	3,593	3,593	400
4.25 %	06-1-08	3,670	3,670	323
4.25 %	12-1-08	3,748	3,748	245
4.25 %	06-1-09	3,829	3,829	164
4.25 %	12-1-09	2,316	2,316	83
Total - Series A Bonds		\$ 37,205	\$ 43,397	\$ 5,324

**2001 MI Transportation Fund Bonds**

Bond Date - September 01, 2001

Interest Payable Sept. 1 & March 1

Authorized Issue \$700,000

4.55 %	9-1-03	\$ 0	\$ 35,000	\$ 0
4.55 %	9-1-04	35,000	35,000	27,869
4.55 %	9-1-05	40,000	40,000	26,163
4.55 %	9-1-06	40,000	40,000	24,343
4.55 %	9-1-07	40,000	40,000	22,523
4.55 %	9-1-08	45,000	45,000	20,589
4.55 %	9-1-09	45,000	45,000	18,541
4.55 %	9-1-10	50,000	50,000	16,380
4.55 %	9-1-11	50,000	50,000	14,105
4.55 %	9-1-12	50,000	50,000	11,830
4.55 %	9-1-13	55,000	55,000	9,441
4.55 %	9-1-14	55,000	55,000	6,939
4.55 %	9-1-15	60,000	60,000	4,323
4.55 %	9-1-16	65,000	65,000	1,479
Total 2001 MI Transportation Bond		\$ 630,000	\$ 665,000	\$ 204,525

**City of Marlette**  
Other Supplemental Information  
Schedule of Indebtedness  
June 30, 2004

**General Obligation Bonds / Installment Contracts**

May 8, 1999 Installment Purchase Contract

3391 S. Main Street

Principal and Interest payable April 15 and October 15

Authorized issue \$80,000

Interest Rate	Date of Maturity	Principal Outstanding		Remaining Interest Payable
		June 30, 2004	June 30, 2003	
4.25 %	10-15-03	\$ 0	\$ 3,832	\$ 0
4.25 %	04-15-04	0	3,914	0
4.25 %	10-15-04	4,001	4,001	939
4.25 %	04-15-05	4,091	4,091	850
4.25 %	10-15-05	4,174	4,174	767
4.25 %	04-15-06	4,267	4,267	674
4.25 %	10-15-06	4,354	4,354	587
4.25 %	04-15-07	4,449	4,449	492
4.25 %	10-15-07	4,541	4,541	400
4.25 %	04-15-08	4,638	4,638	303
4.25 %	10-15-08	4,737	4,737	204
4.25 %	04-15-09	4,851	4,851	90
Total -3391 S. Main Street Install Purch Contract		<u>\$ 44,103</u>	<u>\$ 51,849</u>	<u>\$ 5,306</u>

**City/Twp. Building - Tri-County Bank**

May 7, 2002 Installment Purchase Contract

Principal and Interest payable Nov. 7 and May 7

Authorized issue \$62,650

4.46 %	11-7-03	\$ 0	\$ 2,647	\$ 0
4.46 %	5-7-04	0	2,705	0
4.46 %	11-7-04	2,765	2,765	1,165
4.46 %	5-7-05	2,825	2,825	1,105
4.46 %	11-7-05	2,888	2,888	1,042
4.46 %	5-7-06	2,952	2,952	978
4.46 %	11-7-06	3,017	3,017	913
4.46 %	5-7-07	3,084	3,084	846
4.46 %	11-7-07	3,152	3,152	778
4.46 %	5-7-08	3,222	3,222	708
4.46 %	11-7-08	3,293	3,293	637
4.46 %	5-7-09	3,366	3,366	564
4.46 %	11-7-09	3,440	3,440	490
4.46 %	5-7-10	3,516	3,516	414
4.46 %	11-7-10	3,594	3,594	336
4.46 %	5-7-11	3,674	3,674	256
4.46 %	11-7-11	3,755	3,755	175
4.46 %	5-7-12	3,633	3,633	81
Total City/Twsp. Building Purchase Contract		<u>\$ 52,176</u>	<u>\$ 57,528</u>	<u>\$ 10,488</u>

**Total General Obligation Bonds/**

**Installment Contracts**

<u>\$ 2,975,547</u>	<u>\$ 3,104,840</u>	<u>\$ 1,656,999</u>
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**City of Marlette**  
Other Supplemental Information  
Schedule of Indebtedness  
June 30, 2004

**Revenue Bonds**

Sewer Revenue Bonds, Series 1994

Dated August 1, 1994

Interest payable July 1, & January 1

Authorized issue \$210,000

Interest Rate	Date Of Maturity	Principal Outstanding		Remaining Interest Payable
		June 30, 2004	June 30, 2003	
4.50 %	7-1-04	\$ 0	\$ 2,000	\$ 0
4.50 %	7-1-05	2,000	2,000	8,550
4.50 %	7-1-06	4,000	4,000	8,460
4.50 %	7-1-07	4,000	4,000	8,280
4.50 %	7-1-08	4,000	4,000	8,100
4.50 %	7-1-09	4,000	4,000	7,920
4.50 %	7-1-10	4,000	4,000	7,740
4.50 %	7-1-11	4,000	4,000	7,560
4.50 %	7-1-12	4,000	4,000	7,380
4.50 %	7-1-13	4,000	4,000	7,200
4.50 %	7-1-14	4,000	4,000	7,020
4.50 %	7-1-15	4,000	4,000	6,840
4.50 %	7-1-16	4,000	4,000	6,660
4.50 %	7-1-17	4,000	4,000	6,480
4.50 %	7-1-18	6,000	6,000	6,300
4.50 %	7-1-19	6,000	6,000	6,030
4.50 %	7-1-20	8,000	8,000	5,760
4.50 %	7-1-21	8,000	8,000	5,400
4.50 %	7-1-22	8,000	8,000	5,040
4.50 %	7-1-23	8,000	8,000	4,680
4.50 %	7-1-24	8,000	8,000	4,320
4.50 %	7-1-25	8,000	8,000	3,960
4.50 %	7-1-26	8,000	8,000	3,600
4.50 %	7-1-27	8,000	8,000	3,240
4.50 %	7-1-28	8,000	8,000	2,880
4.50 %	7-1-29	8,000	8,000	2,520
4.50 %	7-1-30	8,000	8,000	2,160
4.50 %	7-1-31	10,000	10,000	1,800
4.50 %	7-1-32	10,000	10,000	1,350
4.50 %	7-1-33	10,000	10,000	900
4.50 %	7-1-34	10,000	10,000	450
Total Sewer Revenue Bond		<u>\$ 190,000</u>	<u>\$ 192,000</u>	<u>\$ 158,580</u>

**City of Marlette**  
Other Supplemental Information  
Schedule of Indebtedness  
June, 2004

**Installment Note Payable**

Elgin Street Sweeper

Dated November 10, 2000

Principal and Interest payable quarterly

Authorized issue \$142,000

Interest Rate	Date Of Maturity	Principal Outstanding		Remaining Interest Payable
		June 30, 2004	June 30, 2003	
5.45 %	9-1-03	\$ 0	\$ 7,113	\$ 0
5.45 %	12-1-03	0	7,415	0
5.45 %	3-1-04	0	7,306	0
5.45 %	6-1-04	0	7,234	0
5.45 %	9-1-04	7,578	7,578	636
5.45 %	12-1-04	7,682	7,682	534
5.45 %	3-1-05	7,784	7,784	430
5.45 %	6-1-05	7,890	7,890	324
5.45 %	9-1-05	7,994	7,994	218
5.45 %	12-1-05	8,340	7,855	106
Total Installment Note Payable		\$ 47,268	\$ 75,851	\$ 2,248

**Municipal Purchase Contract**

Water Main Installation - Fenner St.

Contract Date - November 26, 2001

Principal and Interest Payable November 8

Authorized Issue \$194,000

4.20 %	11-1-03	\$ 0	\$ 16,615	\$ 0
4.20 %	11-1-04	17,304	17,304	6,877
4.20 %	11-1-05	18,060	18,060	6,121
4.20 %	11-1-06	18,829	18,829	5,352
4.20 %	11-1-07	19,631	19,631	4,551
4.20 %	11-1-08	20,456	20,456	3,725
4.20 %	11-1-09	21,338	21,338	2,844
4.20 %	11-1-10	22,246	22,246	1,935
4.20 %	11-1-11	23,189	23,194	992
Total Municipal Purchase Contract		161,053	177,673	32,397

**Total Revenue Bonds, Install. Notes  
and Purchase Contract Payable**

\$ 398,321	\$ 445,524	\$ 193,225
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**LEHN L. KING**

CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET  
MARLETTE, MICHIGAN 48453

Phone 989-635-3113  
Fax 989-635-5580

November 18, 2004

Honorable Mayor and  
Members of the City Council  
**City of Marlette**  
City of Marlette, Michigan

In accordance with your request, I have made an examination of the financial statements of the City of Marlette for the fiscal year ended June 30, 2004. During the course of my examination an item came to my attention on which I would like to comment and offer my recommendation.

- a. Per P.A. 621 of 1968, the council does not have authorization to spend monies until the budget is officially enacted by the council. This must be done prior to July 1. This budget should be included with the minutes of the City. The budget must be amended prior to the expenditure exceeding the budgeted item.

I thank the City officials and employees for the cooperation I received in the completion of this examination.

Sincerely,

*Lehn King*

Lehn L. King  
Certified Public Accountant